FOR DISCUSSION

ONTARIO MINISTRY OF SKILLS DEVELOPMENT

PROPOSAL TO CREATE
A CANADA TRAINING ALLOWANCE

NOVEMBER 1987

MINISTRY OF SKILLS DEVELOPEMENT
THE HONOURABLE ALVIN CURLING
MINISTER

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EXECUTIVE SUMMARY

Ontario proposes that the federal government, with the cooperation of the provinces, move to create a Canada Training Allowance to provide income support for adult Canadians undertaking long-term training. The establishment of this mechanism would reinforce current federal and provincial training programs. It also would support recent provincial decisions to expand their training programs. The combination of a renewed federal commitment to income support and growing provincial training efforts will help achieve important national economic goals.

TRAINING AND ECONOMIC ADJUSTMENT

Over the next decade, we will have to increase our use of training as a tool for equitable economic change. Adjustment needs are being driven by the commercial and structural changes taking place in the world and North American economies. Canadians are increasingly faced with the demand to be more productive and better prepared to deal with new technologies and new jobs.

Provinces will have to strengthen their commitment to training through the introduction of new and innovative training programs and the expansion of successful existing models. For the provinces to meet these training objectives, they must be able to count on the federal government to improve the system for providing income support to adults engaged in training.

This paper calls for the establishment of a rational income support system for training in Canada. Such an initiative would greatly aid our ability to respond to the combined pressures of new technologies, global competition and industrial restructuring. It would also reinforce an important federal-provincial partnership; a partnership based on strong provincial training programs and a reliable federal income support mechanism.

LONG-TERM TRAINING

Long-term training is a vital part of Canada's overall training infrastructure. It can take place through the apprenticeship system, in which trainees combine on-the-job training with yearly components of in-school training, generally lasting six to eight weeks. Long-term training can also be undertaken by workers recently unemployed and learning new skills. Ontario's new TRANSITIONS program, which provides a $5,000 training voucher for laid-off workers over 45, is an example. As well, long-term training can be undertaken by an employed person at the request of an employer.

These types of long-term training require the individual to be away from the workplace for significant periods during which time they do not receive wages. In order to engage in this kind of activity, trainees must, therefore, be able to rely on some form of income support while off the job.

Two principal mechanisms now exist through which the federal government provides income support to trainees: Section 39 of the Unemployment Insurance Act, and training allowances provided under the authority of the National Training Act (NTA). Unfortunately, the current mechanisms for providing support will not always serve our objectives adequately and will act as a barrier to training in a number of ways:

- Section 39, the primary vehicle for providing income support to adult trainees, is restrictive both in terms of who is eligible for support and what courses are open to trainees.

- Current eligibility criteria favour the long-term unemployed and the employment-disadvantaged. Our ability to support the training needs of those who are working or who are recently unemployed is limited by these arrangements.

- The federal government now sets the priorities and determines eligibility for all income support expenditures. As a result, provinces are torn between the need to meet local labour market conditions and the need to access federal funds.

- Income support levels are currently too low to encourage most employed people with family and financial responsibilities to enter extensive training or retraining programs.

THE PROPOSAL

To address these constraints and to improve the capacity of our training systems to facilitate economic adjustment, the federal government should consider the introduction of a new national income support mechanism for adults who undertake long-term, work-related training. A Canada Training Allowance would deal with the most critical gap in our industrial training policy.

A Canada Training Allowance should have six key features. It should:

- provide straightforward access for workers eligible for and registered in federal or provincial training programs;

- adequately and promptly provide income support for training programs that take the trainee away from the workplace for varying durations;

- recognize the training needs of the employed and recently unemployed as well as the long-term unemployed;

- respect individual choice in determining training courses and venues;

- allow for administrative simplicity to facilitate ease of access;

- provide levels of support equal to or greater than those available under UI so as to minimize financial disincentives to training.

The current federal government expenditure on income support for long-term training is $421 million. By following these design features and with vigorous growth in provincial training programs, the cost of a Canada Training Allowance by the middle of the next decade could reach $750 million to $1 billion a year.

As partners for change in the field of labour market adjustment, both provincial and federal governments have a stake in creating an effective and rational system. It would be appropriate, therefore, to consider the establishment of a joint federal-provincial working group charged with the development of new options for an adult income support system for training.

THE AGENDA FOR ADULT TRAINING IN CANADA

The objective of this discussion paper is to establish a framework for the development of a more rational income support system for adults undertaking training or retraining which requires a lengthy absence from the workplace. Ontario proposes that the federal government, with the cooperation of the provinces, create a Canada Training Allowance. The establishment of such a mechanism would reinforce growing provincial expenditures on training and would help further national economical goals.

ECONOMIC IMPERATIVES

Skills training serves economic objectives in many important ways: training contributes to and increases economic output by alleviating skills shortages in critical industries; training provides and enhances employment opportunities for individuals; training increases productivity of workers, of firms and of the economy; finally, training allows us to keep pace with and benefit from technological change.

Over the next decade, we will have to increase our use of training as a tool for economic adjustment. Those adjustment needs are being driven by the commercial and structural changes taking place in the world and North American economies. Canadian firms are facing

greater competition. Canadian employees are increasingly faced with the demand to be more productive and better prepared to deal with new technologies and, sometimes, new jobs. Training provides solutions to these challenges.

An Ontario study has indicated that employment grew rapidly in the manufacturing and construction industries between 1983 and 1986 (at an average annual rate of 3.0 and 7.6 per cent, respectively). This fuelled much of the overall growth in employment in the Province (at an average annual rate of 3.6 per cent). At the same time, the study identified emerging skill shortages. It estimated that in 98 high skill occupations such as machinist, engineering technologist, computer analyst, and machinery mechanic, employers are encountering labour shortages. Given the strong demand for workers in these occupations, labour shortages are likely to persist.

Our training needs will also be shaped by demographic realities. For example, it is estimated that the contribution of new entrants to the labour force will decline by 25 per cent over the next 10 years. As fewer young people join the labour force, firms will increasingly turn to adult training and retraining to meet their skill needs. (Figure 1)

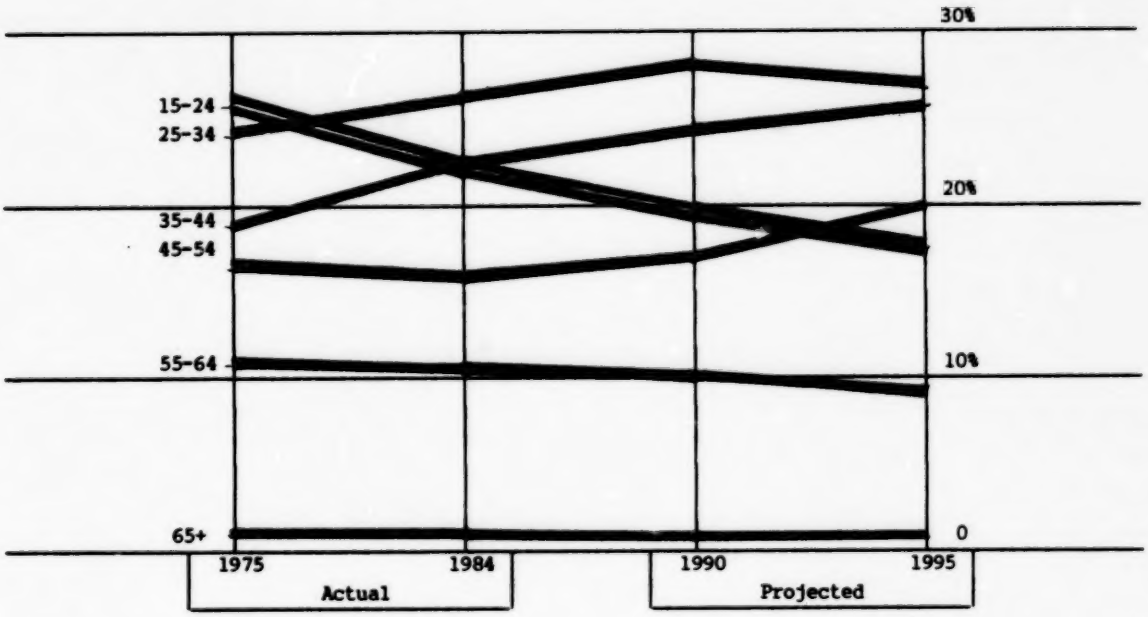
At the same time, many of our skilled workers are nearing retirement. For example, the average age of a bricklayer is now 57 years. Our training structures will have to be able to replace existing skilled workers as well as anticipate and meet future skill requirements.

These realities are not being lost on workers in Canada and elsewhere. Research conducted by the Manpower Services Commission in the United Kingdom, for example, indicates that over the next five years, four of five people in the industrial world will be doing jobs differently from the way they have been done in the previous 50 years.

More and more employees are returning to education and training to develop the skills needed to lead to stable and rewarding careers. In the 1960s, only one Ontario adult in twenty

F I G U R E 1

AGE DISTRIBUTION OF THE
ONTARIO LABOUR FORCE



SOURCE: Ontario Ministry of Treasury and Economics.

had undertaken continuing education or part-time training in the previous year. By 1984, that figure had jumped to one in five. Increasingly, the purpose of these courses was to maintain or enhance work skills.

THE CANADIAN SYSTEM OF TRAINING

Governments have come to recognize the vital economic and social goals that training and retraining serve and are moving to support the efforts of firms and of individuals to engage in such training. While provincial training expenditures have grown in recent years, much more needs to be done. For instance, greater efforts are required to address the training needs of the majority of youth who enter the labour force without post-secondary education. Similarly, we have to be better able to help adult workers adjust to changes in the workplace.

This discussion paper is not primarily about career training undertaken by youth in degree-granting colleges and universities; that is now under broad review by Ministers of Education. It focuses instead on the training required by adults for specific jobs, such as apprenticeship or technical upgrading courses.

This "workplace" training can be characterized in turn as either short-term or long-term. The proposal in this paper concerns long-term workplace training for adults.

Short-term training usually takes place on the job and does not require the trainee to be away from work and, thereby, in need of income support. For example, the introduction of new technology into a workplace will likely require some form of training program to allow employees to adapt to the new equipment and procedures. That training could last from one week to two months, but usually takes place while employees are on the job and continue to draw wages.

Long-term training can take place through the apprenticeship system, in which trainees combine on-the-job training with yearly components of in-school training, generally lasting six to eight weeks. Long-term training

can also be directed towards workers recently unemployed looking to learn new skills. Ontario's new TRANSITIONS program, which provides a $5,000 training voucher for laid-off workers over 45, is an example. As well, long-term training can be undertaken by an employed person who is required by an employer to undertake significant retraining.

These types of long-term training require the individual to be away from the workplace for lengthy periods during which time they do not receive wages. In order to engage in this kind of activity, trainees must, therefore, be able to rely on some form of income support while off the job.

THE INCOME GAP

The proposal set out in this paper addresses a critical gap in our overall training/educational infrastructure: reliable and adequate income support for adult workers acquiring skills through training which requires absence from the workplace for an extended period.

There is growing recognition that our training system, like our education system, serves important economic and social goals. The role of government in supporting training is no less essential than its role in supporting our education system. We must strive to ensure that our training systems operate efficiently and are universally accessible to individuals wishing to participate.

One important means to ensure full accessibility is the straightforward provision of income support to adult trainees involved in long-term training. We cannot allow financial disincentives to act as a barrier to training.

To have in place an accessible and adequate national system of income support for training to meet today's competitive demands requires a major national commitment: an effort similar to the commitment undertaken in the 1960s to put in place a world-class system for providing post-secondary education for young people.

CURRENT INCOME SUPPORT STRUCTURES

In Canada, income support for long-term training has been historically and remains the responsibility of the federal government.

Two principal mechanisms now exist through which the federal government provides income support to trainees: Section 39 of the Unemployment Insurance Act, and training allowances provided under the authority of the National Training Act (NTA). Figure 2 sets out total payments provided through these mechanisms.

Section 39 provides income support to persons who are entitled to Unemployment Insurance benefits but who undertake training in courses approved by Employment and Immigration Canada. Essentially, Section 39 serves two purposes. First, it waives the job search requirements for UI recipients so that they can continue to receive benefits while participating in approved training courses. Second, it enables trainees in approved courses to receive UI benefits beyond their normal entitlement, up to a maximum of 102 weeks.

Trainees in institutional courses or in apprenticeship programs who are not eligible for UI benefits can usually receive a training allowance through the NTA. In some cases, supplementary allowances are provided under this Act.

In total, the federal government currently spends $421 million on income support to Canadians involved in long-term training.

F I G U R E 2

SUMMARY OF INCOME SUPPORT PAYMENTS, CANADA, 1983-84 to 1986-87

	Actual(a) 1983-84	Actual(a) 1984-85	Actual(a) 1985-86	Actual 1986-87(b)
		($000s)		
Allowances (Under NTA)	115,800	117,800	165,800	184,313
Section 39	230,700	227,200	230,900	236,900
TOTAL	346,500	345,000	396,700	421,213

Notes: (a) Prior to introduction of Canadian Jobs Strategy, no allowances were paid to part-time trainees.
(b) Section 39 expenditures are for calendar year 1986.

SUMMARY OF ALLOWANCES PAID, 1985-86

Full-time Allowance (a)		Supplementary				
Institutional	Apprentice	Mobility(b)	Living Away	Dependent	ILAP(c)	TOTAL
		($000s)				
95,927	9,257	12,177	8,754	39,628	57	165,800

Notes: (a) Prior to introduction of Canadian Jobs Strategy, no allowances were paid to part-time trainees.
(b) Includes Trainee Travel and Commuting Allowances.
(c) Industry and Labour Adjustment Program.

Source: Employment and Immigration Canada, "Annual Statistical Bulletin 1985-86: National Training Program", July 1987.
EIC, "Annual Report 1986-1987".
EIC Ontario Region, Planning and Coordination Group, August 1987.

CONSTRAINTS IN THE CURRENT SYSTEM

Our system for long-term training will be faced with significant challenges over the next decade. Governments which pursue fair access to the benefits of change as well as the goals of competitiveness and change themselves must be prepared to initiate new programs and to improve on existing ones in response to those challenges.

Income support, as we have seen, is critical to our capacity to facilitate long-term adult training in Canada. Through it, governments provide assistance to adults who are away from the workplace and their normal sources of income. Unfortunately, the current mechanisms for providing that support do not always serve our objectives adequately and can act as a barrier to training in a number of ways discussed below.

It should be noted that the federal government is currently conducting an administrative review of the Unemployment Insurance system. The problems set out below are beyond the scope of that review.

NARROW ACCESS

Section 39, the primary vehicle for providing income support to adult trainees, is restrictive both in terms of who is eligible for support and what courses are open to trainees.

For example, the local staff of Employment and Immigration Canada are required to approve every course selected by every participant in Ontario's new TRANSITIONS program. This runs counter to the philosophy of the program which promotes individual choice in training. Many participants, for instance, will require basic literacy and numeracy upgrading assistance to find new jobs. Others may choose training courses that include some university-related training. As presently structured, that choice may be denied.

Using UI criteria to determine income support eligibility also limits access to training since it is necessary to be unemployed to receive benefits.

As well, for the bulk of Section 39 funds, the eligibility criteria of the Canadian Jobs Strategy (CJS) apply. As presently structured, the eligibility criteria of the CJS favour the long-term unemployed and the employment-disadvantaged. While our labour market policies must continue to address the needs of these groups, our ability to support the training needs of those who are working or who are recently unemployed is limited by these arrangements.

SUPPORT LEVELS

Income support levels are currently too low to encourage most working people with family and financial responsibilities to leave their jobs to enter extensive training or retraining programs. For example, the maximum weekly allowable benefit for trainees collecting UI is $318 before taxes. This translates into an annual income of less than $17,000, or $1,300 a month.

Allowances under the National Training Act are even lower. A trainee with no dependents can expect a maximum allowance of $105 per week or $5,500 a year.

As a model for employed adults, these levels of income support provide a decisive disincentive to undertake long-term training. If we value training, it would seem reasonable to provide at least minimum incentives to

encourage people to enter training programs. As they stand now, income support levels serve as real barriers to potential trainees, who as adults are not without financial demands or other options.

The capacity of adult workers to engage in long-term training is directly affected by access to adequate levels of income support. This is demonstrated, in part, by the fact that the participation of older workers in federal training programs is dramatically lower than that of other age groups.

FUNDING PRIORITIES

It can be argued that insufficient support payments to long-term trainees are a reflection of the low priority given to adult long-term training.

This is the case despite the fact that Canada's overall contribution to labour market adjustment, education and human resource development is substantial. In Ontario, for example, spending by both levels of government on UI, on education, on training and on student loans amounts to approximately $7.7 billion annually. The expenditure on income support for adult training, however, is only $130 million or 1.7 per cent of that total. (Figure 3)

We should also bear in mind the relative levels of our financial commitments per individual in this area. For example, total spending by both the federal and provincial governments on each post-secondary student in Ontario is approximately $4,700 ($20,000 per first year medical student). Our commitment to youth who enter the labour force without a post-secondary education is much less generous. Apprentices, for example, receive about $1,600 each in total government expenditures.

In fact, Canada devotes more of its Gross National Product to human resources than most of its competitors. Nevertheless, without greater emphasis and expenditure on adult learning we will be neither competitive nor fair: we will have produced a Cadillac, but not an affordable family car.

FIGURE 3

ESTIMATED PUBLIC EXPENDITURE ON EDUCATION, TRAINING, WORKER ADJUSTMENT AND INCOME SUPPORT IN ONTARIO

	$ Millions
Secondary Education (1987-88 only)	3,000
Post-secondary Education (1987-88 only)	1,400
Student Assistance (1986-87 actual)	150
Training (federal and Ontario shares, 1986-87)	570
Unemployment Insurance (excl. S.39; 1986 actual)*	2,410
Sub-total	7,530
Income Support (S.39 and NTA Allowances, 1986-87)	130
Total	7,658
Income Support for Adult Training as Percentage of Total Expenditure	1.7%

* Note: Expenditure on unemployment insurance is included in this table because in Canada, as in other OECD countries, such programs are considered vital mechanisms in the industrial adjustment process. As contributory insurance programs, they are not designed to redistribute income; rather, their role is to sustain incomes while permitting individual workers to find new employment.

SOURCE: Education and Student Assistance Statistics -- Ministry of Colleges and Universities.
Training Statistics -- Ministry of Skills Development.
Unemployment Insurance total -- EIC, Annual Report, 1986-87.
Income Support -- EIC Ontario Region

OBSTRUCTS EFFORTS TO IMPROVE ACCESS TO APPRENTICESHIP

Ontario is particularly concerned with the problems caused by the use of the UI system for apprentices during their in-school training. Apprenticeship is an important training priority in Ontario and has been the subject of recent major reforms.

To help prevent skill shortages, these initiatives will move this important training method into new trades in the manufacturing and service sectors. By making it more relevant to employers and more accessible to trainees, participation in apprenticeship in Ontario is expected to grow from 40,000 to 60,000 in the next five years.

Section 39 requires that recipients be unemployed to receive their benefits. In order to qualify for UI as income support, apprentices must be "laid-off" for this short period. Apprentices, however, are not unemployed; they are released from their employer for in-school training.

Further, income support remains one of the weak links in the operation of the apprenticeship system. In a recent Ontario survey, apprentices cited difficulties with UI as one of their most serious problems with the system. Because of the way the UI Act is administered, for example, apprentices cannot make their first claim until the fourth week of in-school training, and often do not receive their first payment until after the in-school segment is completed and they are back on the job.

The lack of a reliable and timely vehicle for providing income support will hinder the ability of the apprenticeship model to meet the important economic and social objectives set for it in Ontario and other provinces.

LITTLE FLEXIBILITY TO SUPPORT PROVINCIAL PRIORITIES

Federal income support programs are currently limited in their capacity to reinforce and complement provincial training priorities. Since labour market conditions vary across the country, different provincial governments will want to take different approaches to economic adjustment resulting from new technologies and new competitive pressures.

An effective national income support system should assist provincial governments in carrying out their own training priorities. In some cases and in some sectors, the emphasis of labour market adjustment policies will be on work experience while in others it will be on training and retraining.

Unfortunately, the present fit between income support mechanisms and provincial training efforts is not always a good one. The federal government now sets the priorities and determines the eligibility for all income support expenditures. Provincial programs may or may not fit those priorities. As a result, in designing programs, provinces are torn between the need to meet local economic conditions and the need to access federal funds.

Programs in various provinces will experience different problems trying to fit into existing income support mechanisms. The common denominator is the need to make that system more compatible with provincial economic realities and individual needs.

The best approach to improving our national training system is to clarify the responsibilities of the two levels of government so that duplication and client confusion is kept to a minimum. An example where this might apply is the shared-cost and shared-delivery proposal for a Program for Older Worker Adjustment (POWA) recently put forward by the federal government. POWA would involve excessive overlap through the establishment of joint federal-provincial administrative committees.

Over the past twenty years of federal-provincial relations, there has been growing recognition that successful federalism in a mixed economy requires a positive process of rationalization. In the area of training, a major step towards achieving clarity and greater access is to put in place a rational and universal system of income support for long-term training. This system would be a partnership between dynamic provincial training infrastructures and a reliable federal mechanism of income support.

TOWARDS A CANADA TRAINING ALLOWANCE

To address these constraints and to improve the capacity of our training system to facilitate economic adjustment, the federal government should consider the introduction of a new national income support mechanism for adults who undertake long-term, work-related training. Such a vehicle, a Canada Training Allowance, would be universal in application, flexible enough to support both provincial and federal labour market objectives, and readily accessible to potential trainees.

A Canada Training Allowance would deal with the most critical gap in our industrial training system: the need to break down income barriers for adult workers who undertake long-term training.

KEY PRINCIPLES

A Canada Training Allowance should have six key features. It should:

- provide straightforward access for workers eligible for and registered in federal or provincial training programs;
- adequately and promptly provide income support for training programs that take the trainee away from the workplace for varying durations;
- recognize the training needs of the employed and recently unemployed as well as the long-term unemployed;

- o respect individual choice in determining training courses and venues;

- o allow for administrative simplicity to facilitate ease of access; and

- o provide levels of support equal to or greater than those available under UI so as to minimize financial disincentives to training.

The creation of a Canada Training Allowance would be seen as an effective labour market adjustment policy in an area that is the traditional responsibility of the federal government -- income support for adults. It would also provide for greater recognition of federal efforts and expenditures in this area both to taxpayers and trainees alike.

The allowance would be flexible enough to complement federal, provincial or shared programs. In this way, one visible national mechanism could provide income support to apprentices during in-school training, to unemployed individuals participating in federally-funded training programs like the Canadian Jobs Strategy, and to workers participating in provincially designed training programs, such as TRANSITIONS, Ontario's training voucher for laid-off workers over 45.

Because the federal-provincial partnership would be more predictable and reliable, the allowance would permit the provinces to better fulfill their responsibilities for training. The new approach would remove from the federal government its current power to determine which trainees in which provincial programs receive income support. It would enhance cooperative federalism and avoid protracted negotiations over the provision of income support for new provincial initiatives.

DESIGN ISSUES

The purpose of this paper is to articulate the urgent need for a more rational approach to the support of adults involved in long-term skills training. It has also outlined the principles upon which such a mechanism should be based. Nevertheless, a number of critical issues would still have to be addressed before such a system could be fully implemented. These questions relate to:

- **The level of support payments made to trainees**

  The level of allowance payments should be set so as to remove financial disincentives to training. Certainly, the level of current allowances under the National Training Act for federal clients is too low and should be increased. Allowance payments should at least match those available under UI.

  The maximum benefit allowed under Section 39 of the UI Act is now set at $318 a week or $1,300 a month before taxes. The effectiveness of this level should be assessed against its impact on three types of potential clients: unemployed trainees, apprentices, and employed workers undertaking long-term training away from the workforce.

  For unemployed trainees, income support levels now match UI benefit levels available to non-training recipients. However, benefits under Section 39 can be extended to a maximum of 102 weeks. Therefore, the overall impact of current income support levels on unemployed individuals considering training is neutral or positive. This is a desirable result.

  For apprentices, the greatest weakness in the current income support system lies in the way in which payments are generated, not in the level of support. As previously mentioned, the most serious of these relates to the problem of delayed payments.

The third category is employed workers required to be away from the job to undertake training for extended periods. Their training can now be inhibited by the reluctance of the employer to pay the wages of the employee while he or she is not working as well as for a temporary substitute employee. The training allowance should be made available to such workers while they are taking part in legitimate provincial or federal training programs.

Even so, with the maximum benefit under UI now set at $1,300 a month, many industrial employees could face a significant income loss while taking part in this kind of training. Consideration should be given to structuring the system in a way that allows employers to at least "top up" the Canada Training Allowance so as to provide a disincentive to neither the worker nor the employer. Those payments could be considered legitimate business expenses.

Finally, like apprentices, employed individuals receiving training allowances should be relieved of the requirement to make payroll deductions during training.

- **The administration of the Canada Training Allowance under the Unemployment Insurance Act or separate from the Act**

As well as settling the features of the new allowance system, questions about administration will also have to be addressed. Since both employers and potential trainees benefit from the existence of an income support system, these groups should probably play some role in supporting the system. This could be accomplished by using the principle of employer and employee contributions through either general revenues or UI to fund the program.

Since the allowance would be available to unemployed as well as employed workers, there is merit from an administrative point of view in using the UI machinery to

service both groups. However, if this administrative route is chosen, existing regulations would have to be altered in such a way as to develop a forthright mechanism to provide income support for employed contributors undertaking training.

- **Access and Cost Control**

  Over 13 million working Canadians possess the capacity to learn and to train. Thus, the question of priority access to the training allowance is a critical design issue.

  In this light, it is important to note that the allowance is not designed to allow for a universal entitlement along the lines of medicare; unlike medicare, it is to be driven by economic demands. Rather, this proposal calls for universal access for all registered trainees undertaking long-term training.

  The Canada Training Allowance should be available to all individuals eligible for and registered in federal or provincial long-term training programs. The cost of the new income support program will be tied to and controlled by the availability of federal and provincial training programs.

  Increases in total allowance payments would depend on increased expenditures on training programs themselves. This arrangement would reinforce the partnership between levels of government in the area of training. It is not an open-ended entitlement, it requires a shared investment; growth in spending on training allowances will depend on growth in spending on provincial training programs.

- **The cost of funding the Canada Training Allowance**

  Currently, the federal government spends about $421 million a year on income support for long-term training. Against the principles outlined in this paper, the cost of funding a Canada Training Allowance could range from $750 million to almost $1 billion a year by the mid-1990s.

The growth in allowance payments will be driven not by budget holders in governments but by working people and employers in the labour market who perceive a need for long-term training. Those decisions will, in turn, be determined by the rate of change in the economy as driven by trade and economic circumstances.

The following table sets out two possible cost scenarios:

ESTIMATED COST OF CANADA TRAINING ALLOWANCE

	Status Quo	Projection at Maturity	
		Low	High
Participants:			
In-school Apprentices	43,000	64,000	64,000
Other Trainees	79,000	95,000	119,000
Unemployed	84,000	101,000	127,000
Total	206,000	260,000	310,000
Total Cost:	$421 million	$750 million	$920 million

The two scenarios reflect differences in assumptions in two important areas. First, the commitment of the provinces to put in place more employer-based training programs will greatly affect the size of the program. Second, labour market adjustment requirements will vary in relation to our ability to adapt to new trading arrangements, technological change and other economic and social pressures.

For Ontario's part, commitments have already been made to increase participation in apprenticeship from 40,000 to 60,000 over the next five years and to provide training under the TRANSITIONS program to some 6,500 older workers. A number of similar initiatives are either planned or underway in other provinces.

Under the low estimate, it is assumed that apprentices will increase by 50 per cent over the five year period. However, the number of employed and unemployed participants under this scenario will increase more moderately (by 20 per cent over the period).

Under the high scenario, the number of all types of participants will increase by 50 per cent. The assumption that the number of employed or recently unemployed will increase their participation in long-term training is consistent with the premises of this paper that the current means of providing income support is a barrier to long-term training and that the rate of economic growth and technology diffusion will accelerate.

Of course, it is the federal government's responsibility to determine how best to fund the Canada Training Allowance. Nevertheless, a number of potential avenues are available. It should be noted, for example, that the Unemployment Insurance Account has a surplus of $650 million. While the federal government may apply this flexibility to the Account's cumulative deficit, it should not rule out using some or all of these funds to support a new national income support system for training and retraining.

Since training improves the employability of Canadians, such an application of these funds should be seen as an investment towards future UI savings and overall competitiveness.

- **Allowances as taxable benefits**

  The income allowance for training would be like all other forms of income and, therefore, subject to taxation.

- **Making allowances repayable loans**

  Income support for individuals in post-secondary education is provided through repayable student loans. It could be argued that income support for long-term adult training should be structured in the same way.

In principal, there is no substantive difference between a subsidized loan program and a direct subsidy or grant. In practise, however, a repayable loan would have to be much higher than a grant in order not to discourage working adults from undertaking long-term training. It would also require a large bureaucracy to administer.

Our training systems are already underutilized (and undersupported). If the use of repayable loans would further reduce the attractiveness of long-term training, it is perhaps not the right approach.

FEDERAL/PROVINCIAL COOPERATION

Clearly, these and other substantive questions will have to be answered as part of the process of putting a Canada Training Allowance in place.

It is equally clear that, as partners for change in the field of labour market adjustment, both provincial and federal governments have a stake in resolving such questions. It would be appropriate, therefore, to consider the establishment of a joint federal-provincial working group charged with the development of a new income support system for adult training.

In creating such a group, the federal government would be demonstrating its strong commitment to cooperative federalism. The success of this process in devising new structures, better suited to the needs and priorities of both levels of government, would further advance that goal.

Most importantly, the establishment of a rational income support system for training in Canada would greatly aid our ability to respond to the combined pressures of new technologies, global competition and industrial restructuring. Full competitive economic growth and enhanced employment opportunities across our country are the rewards of success in these endeavours.

APPENDIX 1

RELATED RECOMMENDATIONS

This proposal reflects a number of similar recommendations put to the federal government in recent years. For example, the Macdonald Commission report called for a $4 billion "Transitional Adjustment Assistance Program". This initiative was to help workers adjust to changes in the commercial environment through assistance for job training and other transition programs.

The Economic Council of Canada, in its recent publication, Innovations and Jobs in Canada, stressed the need to assist individuals in making training choices which encourage employment transition. Says the Council: "Canadians need to have an institutional framework that will give them the opportunity to get the retraining and re-schooling that they require in order to make the inevitable employment transitions throughout their working lives."

The Skill Development Leave Task Force, in its 1983 report entitled Learning a Living, recommended broadened eligibility for Unemployment Insurance benefits for individuals undertaking education or training, as well as new funding arrangements for part-time study and educational leave.

Finally, in 1986, the Forget Commission, in its review of the Unemployment Insurance system, recommended the removal of income support for training from the Unemployment Insurance Act and

creation of a separate program that supports a broader range of training than is now eligible. While there has been no consensus on many of Forget's recommendations, the creation of a Canada Training Allowance would appear to be one recommendation on which provincial consensus is possible, provided the new fund matches or exceeds current expenditures for income support.